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Chair

The Honourable Kevin Sorenson

Standing Committee on Public Accounts

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● (1615)

[*English*]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good afternoon, colleagues.

This is meeting number 106 of the Standing Committee on Public Accounts, Tuesday, June 19, 2018.

We are here this afternoon in consideration of the message of the Auditor General in his 2018 spring reports. I would again remind each one of us that we are televised today.

We are honoured once again to have with us this afternoon Mr. Michael Ferguson, the Auditor General of Canada.

Colleagues, before we proceed with what may be our last meeting before the summer recess, I would like to take this opportunity to thank our Auditor General for his many appearances before the committee during the last six months of this year, and last fall.

Your reports and the many recommendations you've made in them go a very long way to improving many aspects of the federal government's programs and policies. We all very much appreciate your good work and willingness to work with this committee.

I would also like to thank our clerk and our two analysts for the tremendous job they have done in keeping us on track, providing sage advice, and producing quality reports that we can all be proud of.

Now, Mr. Ferguson, we turn to you for some introductory remarks, if you have some. We look forward to them. We will then go into our regular rounds of questioning.

Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General): Thank you.

[*Translation*]

Mr. Chair, thank you for this opportunity to discuss the message that I included as part of our spring 2018 reports.

I am familiar with the testimony of the Clerk of the Privy Council when he appeared before this committee last week. I first want to say that I agree with the clerk that he and I have had many fruitful direct, honest and respectful conversations about our work. The frankness of this public conversation won't change that.

Also, as he said, we were able to work together to achieve a mutually acceptable order in council that clarifies our right to access information. And I would sincerely like to thank him for that. I would also like to acknowledge the efforts of the Standing Committee on Public Accounts that facilitated our ability to arrive at a mutually acceptable solution.

[*English*]

Mr. Chair, as I understand it, the clerk referred to my message as an opinion piece. He is correct. The message does express my opinion that we need to find the root cause of the Phoenix project failure and other incomprehensible failures. It's an opinion piece based on my almost seven years as Auditor General of Canada, 40 years of performance audits done by our office, and the fact that all the government's controls did not prevent the Phoenix failure from happening.

The message was motivated by my profound belief that the federal government has important services that people in Canada need and rely on, and that the federal government has hard-working civil servants who are dedicated to the work that they do. In that message, I pointed to the fact that the Canadian civil service is ready and willing to do the heavy lifting to improve the culture.

In my opinion, Phoenix has tarnished the reputation of the federal government, both at the political level and at the civil servant level. Therefore, we all need to look deeper to understand how Phoenix and other incomprehensible failures happened—at what the root causes were—and we need to prevent any more from happening in the future.

[*Translation*]

In my message, I said that the bottom line is that a change in the culture of the federal government will be the best hope to prevent incomprehensible failures in the future. I described aspects of the culture that—in my opinion—may have contributed to the Phoenix failure. I admit in the message that I may not have captured everything in my description of the culture.

People will disagree with some, or maybe even all, of my description. But there has to be a conversation about the culture of government.

As I said in my message, Phoenix failed thoroughly in an environment that has a management accountability framework, risk management policies, program evaluations, internal audit groups, departmental audit committees, accounting officers, departmental plans, departmental performance reports, pay-for-performance compensation, and audits by the Office of the Auditor General.

I believe it would be too simplistic to think that just adding a few more rules or another policy will, this time, prevent any future incomprehensible failures.

● (1620)

[*English*]

I originally decided to write the message because I expected people would feel that the performance audit we did on building and implementing the Phoenix pay system did not adequately answer the question of who was to blame for Phoenix and how it could have been possible.

That took me to the need to explore the question of how the government's culture enabled Phoenix; so I described some aspects of the culture that, in my opinion, contribute to problems.

For example, policies are sometimes applied as cover to avoid blame; there is a reverence for checking boxes; there has been an erosion of deputy minister influence partly because of the short tenure of deputy ministers; ministers tend not to get excited by back-office administration projects, and so they expect the budgets and timelines of those projects to be strictly managed; governments have tried to stay in the safe space of administering payments instead of being an active partner with indigenous people to improve outcomes; the measure of success on indigenous programs has become the amount of money spent, rather than improved outcomes; and compliance with all government rules has become impossible because of their sheer volume.

[*Translation*]

My message was not intended to say that I had the answer to the culture issues; in fact, I said that I don't have a set of instructions to deal with the issue. It was intended to start a conversation about how government culture contributed to the Phoenix failure.

The message does reflect my opinion, and as such, I am prepared that some people will say that's just his opinion. But I stand by it, and I believe that I said what needed to be said, whether people agree with it or not.

[*English*]

To close, Mr. Chair, I sincerely want to thank the public accounts committee for being an early participant in this culture conversation.

I am now ready to answer your questions

Thank you.

The Chair: Thank you very much, Mr. Ferguson. We appreciate your work and your straightforward message today. I think we're all reminded that you are an officer of Parliament and that you report to Parliament. The clerk who was here is a very important officer who reports to cabinet and is the chief civil servant, and so there are two different responsibilities. We appreciate your bringing this message to Parliament.

We will now go to the first round of questioning.

[*Translation*]

Mr. Massé, you have seven minutes.

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): Thank you, Mr. Chair.

Mr. Ferguson, thank you for joining us again today to talk about chapter zero, or your message.

As you know, this report has made a lot of noise and waves. The officials received it as criticism. They clearly reacted to your message, and public service executives also received it as a criticism. Of course, the public also reacted, given the items in the report.

Because of my perspective, background and experience, I disagree with the evaluation, as I have taken part in developing programs and services and modernizing the legislation, which has enabled many Canadians across Canada to receive quality services from many public servants. Their goal is to serve Canadians well. We could list a number of their accomplishments.

I could name various accomplishments throughout my career at the Translation Bureau and the Department of Justice. We developed an exceptional document imaging service in Matane. I could talk about modernizing financial support programs for farmers. I could talk—as I told you last time—about the modernization process used to modernize the program that allows Canada's retired public servants to receive their pensions. Approximately 684,000 former public servants receive their pensions regularly.

Is everything perfect? Clearly, it's not. There is always room for improvement. Clearly, in your message, you focused on some aspects, including the implementation of Phoenix. It is no secret that it is a failure, clearly. When the Clerk of the Privy Council appeared before the committee, he used the words I used in my discussion with you. He talked about a "perfect storm". I have called it "the perfect storm" myself. In my opinion, it was caused by the previous government's refusal to accept that the cost of implementing Phoenix went from $150 million, as originally planned, to $300 million.

As the Clerk of the Privy Council said, it would have taken a minister with great courage to go to his colleagues and tell them that, for various reasons, the cost of implementing Phoenix was higher than what had been estimated. That was not done. The officials were probably told sorry, but they had to operate within the budget allocated to them and they would have to deliver on their commitments on time and on budget.

This "perfect storm" also included 40-year-old technology, a massive layoff of payroll experts—in fact, 700 people had to be laid off—and the centralization of operations in Miramichi. A very large number of employees did not have the necessary experience to engage in this sort of centralization at the time. They have done a remarkable job, and continue to do so, with the tools at their disposal. I repeat that, in my opinion, it was a "perfect storm" generated by a budgetary issue. That is at the root of all this.

You said that it was important to ensure that officials and managers were telling the truth to the authorities. I think the officials told the authorities the truth, but the authorities should have listened. In this case, I don't think they listened to them. This is at the heart of the issue before us. I am sure that the authorities at the time told them that they had to carry out the project on time and on budget, and that they had to ensure that they delivered on their commitments.

● (1625)

That said, I agree with what the Clerk of the Privy Council said about the changes. When there are 27 collective agreements and 79 different classifications, and each of those classifications has different pay levels, it is very complex. If we want to ensure the success of Phoenix...

As an aside, we inherited the Phoenix problem. I can assure you that our government is committed to finding solutions to this problem. This is important for public servants. They all deserve to receive the correct pay at the right time. That being said, there are improvements to be made to ensure better pay service, and I think that means simplifying the whole classification process.

I have been talking for a long time, I'm sorry. I have one minute left. I would like to hear your recommendations.

What recommendation would continue to improve services to Canadians? If there was something you would like the government to focus on, what would it be?

[*English*]

The Chair: Mr. Ferguson.

[*Translation*]

Mr. Michael Ferguson: It's the same message I often repeat: the importance of focusing on objectives and results. Of course, I understand and agree that federal public servants take their work seriously. They work very hard for Canadians.

However, it is also important that the government create a culture that will help them do their jobs properly. The issue is the same, because all the rules from recent years are still in place. They are the reason why it was possible to have an incomprehensible failure like Phoenix.

Answering your question by saying that it is important to have other rules and policies is not enough. I think it's important to look at the current culture and see whether there are changes to be made to it.

● (1630)

[*English*]

The Chair: Thank you, Mr. Ferguson.

We'll now move to the opposition side, Mr. Nuttall.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Mr. Chair.

Thank you, Auditor General, for presenting here today and for providing your message in the report.

I've already been on the record saying that I thought this message was incredibly strong. I think it sets a tone for all departments within the Government of Canada that we need to move, as you said, to a results and outcomes or target-focused culture, one that doesn't yet exist. There are things that exist in that place. You outlined that the amount of money spent seems to be measurable, or how good the press conference or Twitter ad or Facebook message is that comes out of it from whatever minister. I must say that you weren't just talking about a single government; this is a culture that has perhaps been pervasive over a number of years.

However, I have to register my serious concerns with the comments that were just brought by my colleague Rémi Massé when he says it's a perfect storm. When you say it's a perfect storm and it's just a bunch of things that happened, that reduces our ability to find accountability. It says that everything that could go wrong, went wrong, so better luck next time. I do not believe that's what Canadians are looking for. More important than that, I don't believe that the Canadian public servants, who were impacted so terribly before and after Christmas by this, feel that way about it.

The other thing I want to take exception to is the comments—and it was in translation, but I think this is pretty easy—"I know that they were probably...". I don't think you can say "I know" and that "they were probably" in the same sentence to define what did or didn't happen in relation to either requests for funding to and from the minister six years ago. It's either "probably" or "I know". You can't have both in the same sentence.

Therefore, it's really important that we stick directly to the facts. Here's a fact. A report had been commissioned earlier by, I believe—and if you can confirm this, Auditor General—Scott Brison, President of the Treasury Board. That report was finally given to the Treasury Board two weeks in advance of Phoenix going live. Is that correct?

Mr. Michael Ferguson: Are you referring to the Gartner report?

Mr. Alexander Nuttall: Yes, sir.

Mr. Michael Ferguson: My understanding is that the Gartner report was commissioned, yes, in December, I believe, of 2015, and it was completed in February of 2016 just before Phoenix went live.

Mr. Alexander Nuttall: So you had access to that report in putting together your second report on Phoenix. Who had access to that report?

Mr. Michael Ferguson: I wouldn't be able to give you a complete list. I'd have to go back, but the report was prepared by Treasury Board. My understanding is that Treasury Board gave it to the project executives responsible for the Phoenix project. Who saw it within Treasury Board or exactly everybody who saw it, I wouldn't know. I just know generally of it, that it was commissioned by Treasury Board, and they gave it to the project executives.

Mr. Alexander Nuttall: Did you have any evidence of this report at Treasury Board making it to any political staff, or to politicians themselves?

Mr. Michael Ferguson: Again, once things get behind the doors of what goes to ministers, there's the world of cabinet confidence that we can't get into, so I don't know how that would have been distributed in terms of the minister or the minister's political staff. I wouldn't know that.

Mr. Alexander Nuttall: We have a report that was delivered two weeks before Phoenix went live that basically said there were some major problems with it, and lo and behold, Phoenix went live, and we don't have a single signature anywhere from the minister, saying, "It's okay to go. I'm signing off on this."

● (1635)

Mr. Michael Ferguson: We couldn't find any documentation of the approval to go live with Phoenix.

Mr. Alexander Nuttall: When I submit a $100 expense to the taxpayers of Canada, I have to sign off on it. When our public servants—the same ones who were affected so severely and work so hard for us—submit a tiny expense within their departments, they have to sign off on it, but nobody signed off on what appears to be at least a $500 million miss, which go much, much higher by the time we're done. I think we're talking about expenses in the neighbourhood of $1 billion to get the system up and running to the satisfaction of what officials hoped it would be be able to do at the outset.

Mr. Michael Ferguson: That is one of the fundamental things you expect to find when a new IT system is put in place. You expect to see the sign-off by the system owner saying that the system is ready to go into production. We couldn't find that type of documentation in the case of Phoenix.

Mr. Alexander Nuttall: Mr. Auditor General, obviously the Clerk of the Privy Council had some words that perhaps did not fall in line with what your message was. Some of it, I think, he took exception to, and some of it he said he agreed with, but when looking at the words "incomprehensible failure", he certainly took exception to that.

I think you have said that, yes, it was an opinion related to the culture. You've said that here today. This is an opinion based on years and years of service in your field and years and years of service to the people of Canada.

Is it not an incomprehensible failure that this system was launched without a signatory representing the minister or the minister himself?

Mr. Michael Ferguson: Well, I don't know about the minister per se, but certainly you would expect to find—as I said, it's just normal practice in putting an IT system in place—a signature from the system owner. I think perhaps they had some difficulty in defining the system owner, but in this case, you would have expected that to have come directly from Public Services and Procurement Canada and that there would have been a sign-off saying that the system was ready to go.

That's one aspect of the many different things that we found, including their cancelling the pilot project, not doing all of the testing, and going ahead, even though they realized that the Miramichi pay centre was not ready. All of those things combined are what make Phoenix an incomprehensible failure.

Again, it's very comprehensible to understand all of those decision points where a different decision could have been made. What's incomprehensible is how all of them could have been missed.

The Chair: Thank you very much, Mr. Ferguson.

Mr. Nuttall will have time to come back.

Mr. Christopherson, please. You have seven minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thanks, Chair, and thank you, Mr. Ferguson.

I've been wrestling with this ever since we received it, but more in terms of where we go with this, as opposed to whether or not I agree with it. I have to say that on at least two other occasions this Auditor General has come to us with "macro messaging"—I'm talking to colleagues now.

One message early on in the term was on data. We committed unanimously as a committee to picking up that torch and running with it. Every time we saw a data problem in any of the reports, we were going to pull that out and highlight it. We were going to use this parliamentary session to drill down that we're doing a lot of things right with data, and also to focus on the key things that we're not doing, such as keeping them up to date and doing proper analysis.

The other message that comes to my mind, Chair, was to do service well, which I believe was with respect to the EI report—but I stand to be corrected—where we found that the bureaucracy was measuring internal steps and was quite pleased with the time frames it was taking to move something along within the process, completely ignoring the fact that people were waiting on the phone for 20 minutes to get an answer, only to be disconnected because the powers that be didn't want that call to be included as a completed call. The Auditor General's point was that all of that measurement really doesn't have any significant impact if, at the end of the day, the citizens who receive the service aren't getting the service, and he put it under the rubric of "do service well".

Now, for the third time in this Parliament, we've received another macro message, telling us that in the opinion of our Auditor General there are incomprehensible failures here. More importantly, if we, collectively, as a government don't take some action—and we're a part of making that government work as efficiently as possible—then some day in the very near future, there's going to be a committee sitting here that's going to have another set of incomprehensible failures. In fact, the Auditor General went so far as to say that if the government followed up on every single recommendation he made vis-à-vis Phoenix, we would still have incomprehensible failures in the future.

To me, the pressure is on us now. What do we do? That's what I've been wrestling with: exactly what do we do? To do nothing, in my opinion, is not acceptable. To write a report that says nothing is not acceptable. The work and mandate of this committee is too important. Too many people are relying on us and the system that we have, with the Auditor General and the public accounts committee, to make sure that we address these kinds of things.

I want to say this very clearly because to me it's very important. I was one of those who didn't hide my reaction to the words of the Clerk of the Privy Council. However, in his remarks he did say, or was telling us, that he didn't have any direct executive relationship with deputy ministers, which is where this discussion of culture needs to happen.

I was listening very carefully to the words of Mr. Wallace, who is the secretary of the Treasury Board. I have to tell you, colleagues, if that had been the initial response—what Mr. Wallace said in response to this report, as opposed to what the Clerk of the Privy Council said—my reaction would have been completely different. In fact, I would have been thrilled, because without directly contradicting his colleague, the Clerk of the Privy Council, in my view, the secretary of the Treasury Board pretty much said, "I hear you. I understand, and here's what I'll do." You'll recall, colleagues, that we pushed him. I, in particular, pushed him hard, because I thought we were going to get another set of the Clerk of the Privy Council remarks, and I wasn't having it.

It didn't happen. He gave what I thought were very good answers in recognizing that this is big and that it's system-wide, and he took it very personally. Again, I was impressed. He said, "Look, I'm responsible, and my obligation is to get this fixed."

I have to tell you, colleagues, I'm going to pretend that the Clerk of the Privy Council didn't even talk. He's entitled to his opinion, too. I'm far more concerned about what the secretary of the Treasury Board said. He has hands-on work with the deputy ministers, and he has actual oversight in terms of their challenge function, and ensuring that Treasury Board guidelines are followed.

● (1640)

Having said all of that, I think we should get down to what we can do. I know that I'm running out of time, and forgive me for using all of my time again as I always do, but twice, Mr. Ferguson, you said today that the intention is to start a conversation about how government culture contributed to the Phoenix failure. As you state in paragraph 13 of the text of your remarks, "But there has to be a conversation about the culture of government." Help me understand what you think we might be able to do to start or further that conversation, or to be a positive part of having that conversation take place.

Can we have your thoughts, Mr. Ferguson?

The Chair: Mr. Ferguson, please.

Mr. Michael Ferguson: Thank you.

As I say, what I was trying to do was to start the conversation, and I think I did that. I appreciate that the committee is picking up on that. I was also quite frankly happy with what the deputy minister of Public Services and Procurement Canada said when it came to her conversation about needing to change the culture within her department, and the need to allow people within her department to speak frankly. I think we've already heard both of the people who were here, the secretary and the deputy minister, talking about the need to make some changes to culture. The secretary talked about the need to make sure that Treasury Board policies are implemented in substance, not just in form, which I think is right.

One thing we need to consider in our work as well is that maybe we have been too easy on the Treasury Board Secretariat in some of our audits. We have accepted the Treasury Board Secretariat's role as a sort of policy-maker, and I think maybe we need to be much more insistent that they also have a responsibility to make sure that their policies are being implemented the right way. That doesn't mean they have to be holding departments' hands all the time, but they should have some way of knowing whether the policies are being accepted and implemented the right way.

The last thing I will mention was passed to me just before the hearing. I don't know if you would want to do this, and I wasn't aware of it before now. The public administration and constitutional affairs committee in the U.K. House of Commons has just put out a report called "The Minister and the Official: The Fulcrum of Whitehall Effectiveness". There's a parliamentary committee in a Westminster culture like ours that in fact has studied this very question about how ministers interact with officials. Again, I don't know whether you want to do that type of a study, but at least looking at that report might give you some ideas.

● (1645)

The Chair: Thank you very much, Mr. Ferguson. We're going into a summer break and I can see members of the committee sitting around a campfire reading such reports. It might be good reading or a cure for insomnia, but we'll take you up on that.

We'll now turn to Mr. Lefebvre, please, for seven minutes.

Mr. Paul Lefebvre (Sudbury, Lib.): Thank you, Mr. Chair.

Thank you, again, Mr. Ferguson, for being here.

I'm a bit like Mr. Christopherson. When I saw the report and heard the Clerk of the Privy Council and then the panel we had last week, I went back home and thought hard about this thing. We're talking about an incomprehensible failure here. I go back and look at the facts. In your report on the Phoenix, in paragraph 1.32, we see that the contractors said that the budget for this would be around $274 million. Back in 2009, PSPC had budgeted $155 million, and nothing changed. That budget of $155 million still remained even though IBM said it was going to cost $275 million. There was a gap of over $100 million. When we say there's an incomprehensible failure, to me it's very clear; the answer is very direct.

When we talk about culture, the fact that nobody—or maybe somebody did; we're not sure—asked for more money, or did not get more money, to me that's the gap that exists. If our bureaucrats, our public servants, do not have the ability or don't want to ask for the budget they require to do a proper job to serve Canadians—in this case, their own colleagues—that is a culture of fear that exists, that existed, or may still exist today. That, to me, is where the system fails.

For me, when I look at all the facts and see there's a gap, I find we're missing that fact. If I were to say, today, that we'll embark upon a new project and it's is going to cost $275 million but we're only going to give you $150 million and expect a different result, no matter what reports we get, what timelines we get, and what structure we put in, we're going to get a failure, period. To me, when I really take a step back and look at it from 10,000 feet up, if a project of this magnitude or of any magnitude is not on budget.... At the many meetings you've had with us, you've obviously told us about that: it's project management, right? You basically have timelines, a budget, and results. If one of these three elements does not really happen, it can lead to a result that may not be a positive one. In this case, clearly, that is what happened. From what we've heard in the past three weeks and the recommendations you've given, even if today we have a similar project, I don't think we're going to expect a different result.

How do we, as a committee, or even as Parliament, go back and ensure that this doesn't happen again? Again, it's numbers that we're talking about. We've reduced this to numbers, not to the result. You said we should be focused on results. This was focused on budget, clearly, and these are the facts.

How do we change that, Mr. Ferguson?

● (1650)

Mr. Michael Ferguson: Again, if you go back to that particular example of the budget compared to what IBM said it would cost to build the system, at that point in time, as I have said a number of times before, it was not just a question of needing to respect the budget; it was also saying that if they were going to reduce the functionality in the system by that much, enough to get the budget back from $274 million to $155 million, then they should have gone back and they should have recalculated the business case as well. Remember, when the project was approved, yes, it was approved at a certain budget level, but it was also approved with an expectation that it was going to return $70 million a year in savings. As soon as they decided to reduce it from $274 million to $155 million, to me, that was a decision point at which the department needed to go back to Treasury Board and say one of two things, either that "We need more money in order to deliver all of the functionality and get the $70 million a year in savings", or "We will do it for less. We will cut back on some functionality and we will not deliver the $70 million a year in savings." Hopefully in the course of that conversation there would have been some questions about what was being cut back, and whether they were cutting back pilot projects and things like that, which wouldn't have sounded like a good idea.

Regardless, I think there should have been a realization—and, again, I don't know where that failure happened—that this wasn't just a question of the budget; this was also a question of the benefits that were supposed to come out of this system. That's why I use the word "incomprehensible" in this.

At the last hearing, people were talking about the Gartner report. Members were asking about the Gartner report and how it went to only the project executives, and not to other people. I could just see heads shaking when that question was asked. People were asking how they had decided to cut out a pilot project, which is a fundamental piece, and again heads were shaking about how they could have made that decision. So maybe I should have said that it was a "head-shaking" failure rather than an "incomprehensible" failure because, yes, you can understand all the decision points—and you mentioned one, which was the budget—but I'm using the word "incomprehensible" in the terms of people not being able to understand how those decisions were made. When you talk your way through it, all you see is people shaking their heads because they can't understand how those decisions were made.

Mr. Paul Lefebvre: Thank you.

The Chair: Thank you, Mr. Lefebvre.

Mr. Deltell.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

Mr. Ferguson, it's always a pleasure to see you. Before asking you two or three questions, I just want to pay my respects for the way you are doing things. Your reports are very directive. We know where you are going. We know where you stand. We know what you fight for. We deeply appreciate that.

As a former journalist, I deeply appreciate that number each and every paragraph of your statement. It is very easy to refer to.

[*Translation*]

I would like to point out one thing with respect to that.

Two themes emerge from your testimony today. First, you talked about the government's culture that led to the problems with Phoenix and a necessary change in culture. Second, you talked about the root causes, which, in your opinion, led to those problems. In my view, those are the two arguments you made in your statement today.

Now I want to go back to your statement from last week, especially paragraph 7. You said that, when Phoenix officials informed the deputy minister of Public Services and Procurement of the system's launch, they did not mention some serious problems of which they were aware, and that the decision to launch Phoenix had not been documented.

They did not mention some serious problems.

Mr. Chair, I will keep coming back to this: we cannot make good decisions if we do not have the right information. Worse still, if vital information is withheld, it leads to serious decisions and the disaster we have experienced.

You said that people did not mention some serious problems. In your opinion, is this part of the government's culture or the root causes of Phoenix-related problems?

● (1655)

[*English*]

The Chair: Mr. Ferguson.

[*Translation*]

Mr. Michael Ferguson: Of course, that was one of the causes. The managers responsible for Phoenix were aware that there were problems and that the project posed great risks.

However, we must also take into account why they decided not to mention those risks. Did the culture play a role in the decision? That was one of the reasons, because the deputy minister did not have all the information necessary to understand the seriousness of the situation and the risks posed by the system. As I mentioned, we also have to ask whether the culture played a role in the decision.

[*English*]

Mr. Gérard Deltell: As far as you are concerned, based on all of the interrogation that you did to come to this conclusion, do you think it is part of the culture of the government to hide important information?

Mr. Michael Ferguson: I certainly would not say that that happens every time. Obviously, though, in the case of Phoenix, in this situation, there was a decision not to bring that information forward, and as we said in the audit, there were very clear signals that Phoenix was not ready to launch, whether you look at what happened in Miramichi or at other clear signals that it was not ready to launch. For some reason, they decided not to bring that information forward.

Mr. Gérard Deltell: Did you ask about the reason?

Mr. Michael Ferguson: I'd have to go back to the auditors to figure out exactly who we asked which questions. We certainly were trying to find out what information went forward, and again, we were only able to find that the information that went forward to the deputy minister was very high level, didn't talk about all of the risks, and essentially said the system was ready to go.

[*Translation*]

Mr. Gérard Deltell: Last week, you heard testimony from the current deputy minister, who was not there at the time, but who has all her predecessor's responsibility. According to her, the three people involved—two of whom are still employed by the federal government, in the same department and in the same place—say that this is not quite how they see things.

Would you like to know more about the views of those three people, who seem to disagree with your conclusion?

Mr. Michael Ferguson: During our audit, we were able, on many occasions, to obtain all the information we needed to provide an opinion on our objective. We discussed all the factors, all the decisions and all the available information with those people. Our practice is to gather all the information and present all our findings in our audits.

This is not about one conversation or another. The purpose of an audit is to gather all the information and ascertain the message in it.

[*English*]

The Chair: Thank you, Mr. Ferguson. We'll come back. We'll be back and forth.

Madam Mendès.

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you very much, Mr. Chair, and thank you, Mr. Ferguson. I second the chair's initial words in thanking your for the enormous contribution you have brought to this committee in all of your reports. You've made us, as a committee, perhaps the most interesting committee in the House. I want to say that to my other colleagues, to tell them they don't know how much fun we're having here.

I also would like to go back to the line of questioning by my colleague Mr. Deltell, and to what my colleague Mr. Lefebvre was saying too.

Maybe I'm wrong, but I've had some public servants approach me, through Facebook of all things, to say that one of the big problems people in the public sector have or have had for a few years now is a total fear of going up to their superiors and telling them when things are not working exactly as planned. It seems to me that they are terrified of going up the hierarchy and announcing to their superiors that something is not going as planned.

Did your team of auditors find this? Were they told about this, or were impressions shared about this?

● (1700)

Mr. Michael Ferguson: Again, in the course of an audit we have to follow the evidence and the trail. We found that the information about the seriousness of the situation didn't get past the people who were responsible for the project. That's why we also called it a failure of oversight. There was no second check of the information they were providing, no way for the deputy minister or anybody else to know whether the information those people were providing reflected the situation or not.

I can't get to why they may have decided not to bring that information forward. I believe it reflects something about the culture, and that's why I felt I had to write the message that there was more to this than their not making the right decision at this decision point or that there wasn't enough oversight at this decision point. Again, it still comes back to the fundamental question of with all the controls that exist within the federal government, how was Phoenix able to happen?

Why that information didn't go forward, I don't know, but we saw very clearly that the risks were known, that the information about the fact that the system was not ready should have been known, that departments could have told—albeit they did a certain extent—that the system was not ready. Somehow it still went forward.

Mrs. Alexandra Mendès: I'm guessing again from messages I've received that a lot of this has to do with the very important fact that public servants are human beings, with ambitions and professional aspirations. If they are told they have an objective to reach and they have to deliver on that objective, and that if they don't, their promotion or bonus won't come forward, or whatever the compensation would be, their natural instinct is to try to hide problems in attaining whatever objective is given to them.

I'm trying to get at whether this is a possible explanation. As I've told you, I have at least three messages from public servants directly on my Facebook messenger of all places about these issues, about fear, of staff not being comfortable or feeling that their careers would be threatened if they went forward with alerts about things not going well or according to plan.

Is this part of something we will have to address as a committee in the report that we're going to make? Should we explore this? I'm throwing it out there and seeing if you heard the same complaints.

Mr. Michael Ferguson: I think it's consistent at least with my observation that in some cases, policy seems to be applied as a way to just say that the policy has been applied; so if the policy's been applied, then they have plausible deniability. If something goes wrong, they can say they followed the policy.

I don't know to what extent it is fear—or, if there is any fear, how widespread that might be. I've come across probably too many instances, and in the case of Phoenix, it was how the SI system report was used essentially to say that they followed the policy of making sure there was an external evaluation of the project, when it didn't have the independence it needed to reflect the substance of that policy.

I think we see situations where the system becomes very focused on checking boxes and using policies as cover for making certain decisions.

● (1705)

Mrs. Alexandra Mendès: We're not making certain decisions.

The Chair: Thank you, Ms. Mendès.

Mr. Nuttall, please.

Mr. Alexander Nuttall: Thank you, Mr. Chair.

Thank you again, Mr. Auditor General.

I have a couple of follow-up questions. Quickly, because I'm trying to cram a lot into this five minutes, how did the Gartner report come to be? Who communicated to the Treasury Board that this needed to be looked at because of some failures, concerns, or risks that were...?

Mr. Michael Ferguson: I'm not sure if there was one person who communicated it, but certainly they were getting enough messages and hearing enough issues that they felt they needed to have the report done.

Mr. Alexander Nuttall: From who, from where?

Mr. Michael Ferguson: I don't know the specifics of that. I don't know whether we had that in the course of the audit. It wouldn't have been something that we needed to know. All we needed to know was that the Gartner report was commissioned.

Mr. Alexander Nuttall: Could you look to see if that information is available.

Mr. Michael Ferguson: We'll do that.

Mr. Alexander Nuttall: The individuals who received financial awards after this was completed, were they the same individuals? Let me go back one second, were there individuals who received financial awards related to the implementation of Phoenix?

Mr. Michael Ferguson: Again, that's not something I can speak to specifically. I think the deputy minister has mentioned some of that in the past, but that wasn't critical to the audit we did.

Mr. Alexander Nuttall: Would those individuals have been separate from the people who were providing information related to the risks associated with moving ahead with Phoenix?

Mr. Michael Ferguson: Again, that's something the department would have to tell you. It was not information that we needed to look at to get to our opinions on the audit.

Mr. Alexander Nuttall: Is it plausible there are individuals who withheld information relating to the risks of launching Phoenix, yet received financial compensation for its launch?

Mr. Michael Ferguson: I don't know that, specifically. I think the deputy minister referred to—and you'd have to go back and double check this—the fact that that type of compensation was not given in the year of the launch of Phoenix. I'm only going by memory on that, you'd have to refer back to her testimony.

Mr. Alexander Nuttall: Okay. I'll pass it over to my friend Mr. Deltell.

The Chair: Mr. Deltell please.

Mr. Gérard Deltell: For two minutes?

The Chair: For two-and-a-half minutes.

Mr. Gérard Deltell: Mr. Ferguson, it's always a pleasure to talk to you.

[*Translation*]

I would like to come back to the issue about the factors that were not mentioned, the serious problems of which people were aware. I would also like to come back to the fact that the decision to launch Phoenix was not documented.

Mr. Ferguson, does this mean that, in February, you found nothing to indicate that a person authorized to do so signed an email or a document requesting that it be kick-started? Is that correct?

Mr. Michael Ferguson: Yes, you're right.

Mr. Gérard Deltell: Is the fact that no one took responsibility for the green light part of the government's culture, which you seem to identify as part of the problem?

Mr. Michael Ferguson: Once again, it's difficult for me to say whether it was related to the culture or not.

Of course, it was rather curious not to find any recommendations for implementing the system. Usually, that is one of the pieces in this type of project. However, I cannot say whether it was simply an oversight or whether there was another reason.

Mr. Gérard Deltell: It is curious because, as members of Parliament, we have to justify every dollar we spend. When I make a $100 contribution to a charity, to support its work and to advertise, I have to fill out a three-page document. That is fine, I have nothing against that. However, it is remarkable to see that we have implemented a program worth billions of dollars without anyone having to sign anything.

Mr. Michael Ferguson: That's why we presented that finding in the audit. One of the most important aspects of this type of project is to have someone's signature to approve a project like that.

Mr. Gérard Deltell: To your knowledge, who should have signed it? Is it the deputy minister or the minister in office?

● (1710)

Mr. Michael Ferguson: It depends on the project. It is not the same person for all the projects.

Mr. Gérard Deltell: That is why I am asking you the question. To your knowledge, who should have had the final approval? The deputy minister or the minister in office?

Mr. Michael Ferguson: Once again, no responsibility was directly defined in the project flow chart. In my opinion, at the beginning of the project, it would have been important to decide who was responsible for approving the implementation of the project. However, there was no documentation related to that decision when the system was launched.

[*English*]

The Chair: Thank you, Mr. Deltell.

Just before we go to Mr. Arya, I want to mention that in your report you said, "It's as if the Phoenix project was set up to avoid responsibility"—and this is just tagging along with what Mr. Deltell said. You said that it "was set up to avoid responsibility—either by design or by accident." And you said, "There was no documented approval by anyone that the system should be launched."

Do you believe that it was deliberate that there was no documented approval of this?

Mr. Michael Ferguson: Again, that's trying to impute intention to people, which is not something I can do.

We would not have seen anything that indicated it was intentional, so that's as far as I can tell you. It did not happen, and I can't point to anything that indicated it was intentional.

The Chair: Again, that goes to what I would think would be the culture. The culture would be that if there is no documentation, then neither minister Foote nor the DM would be aware—not even the political minister, the minister of the department, but also the DM. If the latter were not aware, then you can't expect that the minister would know. It might have been like that for a decade. Is that part of the culture?

Mr. Michael Ferguson: , A very important step, a normal step in the case of an information technology project or new IT system being put into place, is that final sign-off. Well, in this particular instance, we couldn't find the documentation of that final sign-off.

In the end, the only thing you can say is that because the project executives believed that the system was ready to launch, the system was launched, and there was no further identification of anybody else who needed to give that approval.

The Chair: Do you believe those three executives believed it was ready to launch?

Mr. Michael Ferguson: I certainly don't believe that anybody would have launched this system if they really knew the mess it was going to end up being. I think they should have identified and known the size of that problem, with the issues that were known to them.

But, again, there would be nothing to indicate that they intentionally did that. I think if they had the hindsight to know what was going to happen, they would not have made the decision to launch the system. But, again, that's looking at it in hindsight.

The Chair: Thank you.

Mr. Arya, please.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

The public service has about 270,000 employees and several thousand executives. It is a massive organization, the biggest employer in Canada. Yes, problems are natural because of the huge numbers involved. Projects do fail.

Coming to Phoenix, fundamentally we can relate two issues that caused this problem, and this was executed by three people. First, the project went ahead with just $155 million, against the requirement of $274 million. When you start a project this way, there is no way the project can come out as a success. Second, hundreds of compensation advisers were fired before the new system was fully functional and implemented.

These are the two fundamental reasons, I believe, that led to the massive failure of this project. How many people were responsible? Three, maybe four, and maybe an additional deputy minister.

If this project failed basically due to three executives, and maybe one more, and due to two fundamental reasons, is it fair to tar the entire public service in the same manner?

● (1715)

Mr. Michael Ferguson: My comments are not about the public servants themselves. My comments are about the fact that I believe there is a culture problem that contributed to this. Again, yes, I agree with you on the two fundamental decision points that were the most obvious, that people could have identified that this was not going to work.

Yes, we talk about the senior executives, but the cultural problem, again, was that there was no oversight. There were other people who were aware of the problem. Again, the Treasury Board Secretariat decided to commission the Gartner report. There were departments that were saying this was not ready to work. The department originally planned to do four internal audits, and didn't do them. All of those things meant that there were other places where this problem could have been identified, but it wasn't. So I don't think you can just say that it was isolated to only two issues and three people.

Mr. Chandra Arya: Okay, I got it.

The Canadian public service is considered to be the best in the world, or if not the best, at least one of the top two or three best public services in the world. How can it be the best in the world if we say it's broken?

Mr. Michael Ferguson: Again, it isn't the public service that I'm trying to say is broken. It's that we are making them operate in a culture that can cause these types of incomprehensible failures. I certainly believe that our civil servants—the people who work here—are second to none, but we also have to realize that something like Phoenix is going to tarnish that reputation.

Mr. Chandra Arya: You mentioned that there have been frequent changes at the deputy minister level. In regard to Phoenix, we have found that there were three deputy ministers in a span of seven years. I'm talking from memory here, but I believe the Clerk of the Privy Council said that the median term of a deputy minister is about five years. Do you have data to say that in general there are frequent changes in deputy ministers?

Mr. Michael Ferguson: Again, what I said in the message is that I think the short tenure of deputy ministers contributes to these types of problems. Yes, you can look at an average, but an average can cover up ... lot of issues, but when you look at Public Services and Procurement Canada now, with the current deputy, that means there have been four deputies in, let's say, a seven-, eight-, or even extend it out to a 10-year period. It's a short period of time. The deputy minister who was in place at the time of the decision had only been in that position for one year.

Yes, we can use averages to say, "Well, look, the problem isn't as big as he's saying", but the problem is significant when you look at that department. You had both the Secretary of the Treasury Board and the deputy minister of PSPC here the other day, and both of them were saying, and rightly so, that they weren't there when the problem happened.

If I look at the last four auditors general, for example, that goes back through my predecessor, Sheila Fraser. Before her it was Denis Desautels, and before him it was Ken Dye. Four people take you back 40 years.

The Chair: I think our time is up. I've spoken to some of our vice-chairs, and we want to leave a few minutes for committee business so that we can plan how we will draft a report from what we've heard.

Again, I thank you for coming and wish you a very good summer.

Madam Mendès mentioned that she has received letters or Facebook messages from public servants. I can tell you that since we started doing this, we have also been receiving letters from good public servants, unquestionably, who also recognize that there is a culture that needs to be repaired.

I like the way you formatted it, that this is not at all an attack on our public servants. This is the place where they work and the culture in which they operate, and we need to ask how we can help improve that culture. From some of what we've been hearing, I can tell you that the public servants are the ones cheering us on and saying that we can indeed improve it.

You have been honourable in your reports to Parliament in your audits, and I am hoping that through this committee and through government ops and other committees, it can be addressed.

We thank you for your attendance here today. We will now suspend for a few moments and ask people to leave, because this will go in camera and we will discuss drafting a report.

Thank you, and we'll suspend.

[*Proceedings continue in camera*]

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